

Loan-level & Lender-level Certifications Q&A

Q1: What changes were made to loan-level certification (form 92900-A)?

A few major changes have been made to the loan-level certifications:

One of the major changes is to update the certification to make clear that FHA focuses on defects that would have changed the lenders decision to approve the mortgage. It also removes the Mortgagee certification provision regarding fraud and knowledge of criminal and civil offenses, and moves an updated version of this language to the proposed revisions to FHA's lender-level certification.

Another important change is eliminating references to pre-endorsement review and replacing that with language addressing the Mortgagee's due diligence responsibility in processing the mortgage and reviewing file documents. Finally, the new form has been revised to be consistent with the policies of the SF Handbook, and removes references to Handbooks no longer in use by Single Family Housing.

Q2: What revisions were made to the lender-level certification?

As mentioned above, the proposed lender-level certification includes a revised and expanded statement requiring lenders to certify they have not been involved fraud or other serious civil or criminal violations that would prevent their participation in the program. This updated certification provision was removed from the loan-level certification. Incorporating the provision into the annual lender-level certification reinforces HUD's commitment to holding lenders accountable. The lender-level certification is open for a 30 day comment period.

Q3: What do you hope to accomplish with these changes?

The new loan-level certification makes clear that FHA policies are not intended to penalize minor mistakes i.e., mistakes that would not have affected the decision to approve the loan. With the loan-level certification in place, lenders can more confidently participate in the program. This improves mortgagees' and other industry participants' understanding of what FHA considers compliant with its requirements.

Q4: Why was the provision regarding fraud and knowledge of criminal and civil offenses removed from the loan-level certification and added to the lender-level certification?

Since this certification is applicable to the organization as whole, and is overbroad in the context of an individual loan, it belongs in the lender-level certification.

Q5: Why do lenders no longer have to certify that the information is true? Instead, they certify the information is accurate to the best of their knowledge?

These phrases have been revised to make clear that the goal of the certification is to have lenders attest to the fact that they validated the information provided to them.

Q6: Does this specific change narrow enforcement authority?

Absolutely not, FHA has the ability to hold lenders accountable when the actions harm the FHA program.

Q7: Does this current certification statement allow FHA to take action against the mortgagee when a parent company misbehaves?

When the behavior of a parent company affects the FHA program, FHA has the authority to take action.

Q8: Do any of these changes undermine FHA's authority to hold Lenders accountable?

None of the changes to either of the certifications hinder or undermine our ability to take action against bad actors. We are confident that the proposed revisions to the loan-level and lender-level certifications continue to hold lenders appropriately accountable.

Q9: When will lenders begin using the new loan-level and lender-level certification forms?

The revised loan-level certification will be effective for use with FHA case numbers assigned on or after August 1, 2016. We anticipate that the lender-level certification will be final at the time as well. Lenders will begin signing the form when they annually re-certify at the close of the fiscal year.